

# DR BEYERS NAUDE LOCAL MUNICIPALITY



FINAL BUDGET  
2017/18 TO 2019/20

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## MAYOR'S REPORT

23 May 2017

Honourable Councillors,

The Municipal Manager and Officials,

Our esteemed guests,

Members of the Dr Beyers Naude Community,

Ladies and gentlemen.

It is with mixed feelings that I submit to this house our first final budget for our term of office. This budget provides an opportunity to briefly focus on how to deal with our budgetary oversight responsibilities. We as council provide political guidance over the fiscal and financial affairs of the municipality, and in spite of the difficult economic times we experience as a country, we will ensure that the municipality performs its constitutional and statutory functions. With this new municipality the objective is to successfully implement its IDP, SDBIP and midterm revenue and expenditure budget framework in line with legislative frameworks in place.

The Dr. Beyers Naudé Local Municipality has been experiencing financial difficulties since its establishment on 7 August 2016 after the conclusion of the Local Government Elections on 3 August 2016. The socio-economic profile of the Municipality that indicates a high unemployment rate as well as a big indigent consumer base. The geographical nature of the Municipality which requires huge distances to be travelled by officials and councillors with regards to the attendance of meetings and work-related matters. This budget was prepared in line with the financial recovery plan which needed to be compiled in light of the challenges facing the municipality.

### Economic outlook

The 2017 Budget Review emphasised that, while the global economic growth outlook has improved, it is clouded by the prevailing policy uncertainty due to the increasing pressure within the world trading system. These factors may jeopardise South Africa's prudent macroeconomic and fiscal policies, which include inflation targeting and a flexible exchange rate, the local economy's ability to adjust to global volatility and the stable investment platform.

GDP growth rate is forecasted to increase by 1.3 per cent in 2017 and to improve moderately over the medium term with to 2 per cent and 2.2 per cent in 2018 and 2019 respectively. This forecast is supported by marginally higher global growth, stabilising commodity prices, greater reliability of the electricity network, more favourable weather conditions, recovering business and consumer confidence, and improved labour relations. The positive trajectory marks a shift from several years of declining growth however; this is still not high enough to markedly reduce unemployment, poverty and inequality.

The unemployment rate was 26.5 per cent in the fourth quarter of 2016. The economy continues to create opportunities for semi-skilled and skilled workers, and to shed unskilled jobs, reinforcing poverty and inequality and widening the wage gap.

These economic challenges will continue to pressurise municipal revenue generation and collection levels hence a conservative approach is advised for projecting revenue. Municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

One cannot consider the budget without taking into account the impact and risk posed by the amalgamation process. The budget consultation process will have to be prioritised in order to finalise matters around employee cost, transfers from national government, financial management and systems. The decisions around centralised business processes has resulted in hidden cost that must be provided for in the budgets for the next three years at least. The change management is a critical area which needs to be addressed in order to have the cooperation and support of labour in order to conclude the transitional arrangements i.e. finalisation of organogram, placement and relocation.

It remains in the interest of all affected communities that the amalgamation process be effectively managed and concluded. In the light thereof, this house will do its utmost to ensure that this council is afforded the best chance to succeed in a challenging environment.

## **Budget 2017/18**

The developmental priorities for the municipality as per the new Integrated Development Plan are Infrastructure development, Community Development, Institutional Development, Local Economic Development and Back to Basics ((i) Good Governance & Public Participation and (ii) Sound Financial Management).

This Capital Budget proposes to spend R64.7m on Technical and Electrical services, which includes water reticulation and sanitation, streets and storm water, street lighting and electrical reticulation, all of which forms the basis of our service delivery mandate.

Of the total budget of R397.9m, 72% is spent on the following 3 departments: Corporate Services, Infrastructure & Technical, as well as Electrical Services. This spread of our expenditure, clearly demonstrates our commitment to service delivery.

Direct support to poor household is 6% of the budget R22 746 145.

Care had to be taken to keep tariff charges affordable, while taking cognisance of increased cost to deliver services. Tariff stabilisation is a process that will be phased in the next three budget years as a result of the different tariff structures of the former municipalities. The decision to keep the increases more or less in line with CPI is not necessarily the best decision in the light of costs for certain services that are above the rate charged.

The 2017/18 Medium-Term Budget and Expenditure Framework (MTREF) must be compliant with the mSCOA classification framework. This means that the municipalities transacting framework must allow seamless integration of core system with sub-systems and integrated budgeting directly linked to the IDP and SDBIP.

I want to call on us all to ensure that we implement our Financial Recovery Plan and all our budget related policies to its fullest. Councillors must be vigilant in their oversight without any interference with administration. I would also want to call upon our communities and stakeholders to pay for the services rendered to them.

## **RESOLUTIONS FOR ADOPTION AND APPROVAL OF THE BUDGET**

That Council hereby approves as its Tabled Budget for the 2017/2018 financial year:

- 1 The consolidated three-year Capital Budget, Operating Budget, Cash Flow Budget, measurable performance objectives for revenue for each source and for each vote as contained in the tabled budget document appendices;
- 2 The medium term (indicative) budgets for the 2018/2019 and 2019/2020 financial years contained in the budget document;
- 3 Consolidated budget-related policies:
- 4 That in terms of section 75(a)(1) of the Municipal Systems Act (Act 32 of 2000), read with section 17(3) of the Municipal Finance Management Act (Act 56 of 2003), the tariffs for property rates, water, electricity and other services be increased by the following percentages with effect from 1 July 2017:  
Property rates 6.4%

### **Graaff-Reinet, Aberdeen and Nieu-Bethesda**

Residential: 0.72c in the R  
Business: 1.4577c in the R  
Agriculture: 0.18c in the R  
Agricultural Small holdings: 0.36c in the R  
State owned: 1.4577c in the R

### **Willowmore, Steytlerville and Rietbron**

Residential: 0.6916c in the R  
Residential (Rietbron): 0.5267c in the R  
Residential vacant land: 1.8897c in the R  
Business: 0.8884c in the R  
Business Rural: 0.8948c in the R  
Business Agriculture: 0.3235c in the R  
Agriculture: 0.0489c in the R  
State owned: 1.1246c in the R  
Public service infrastructure: 0.1724c in the R

## Jansenville and Klipplaat

Residential: 1.9471c in the R  
Business: 2.3855c in the R  
Agriculture: 0.0373c in the R  
State owned: 2.8622c in the R

### *Rebates as per the Rates Policy*

Water	6.4%
Electricity	1.88% as per NERSA approved increase
Refuse	6.4%
Sanitation	6.4%
Other small tariffs	6.4%

- 5 That the Accounting Officer comply with all legal requirements relating to the finalization of the budget, the advertising of the Council resolution with regard to the submission of the prescribed information to both National and Provincial Treasury.

## **BUDGET FOR 2017/2018 TO 2019/2012**

This section contains an executive summary of the Dr Beyers Naude Municipality Municipality's budget followed by a more detailed explanation of its Operational and Capital components over the next three years.

### **3. EXECUTIVE SUMMARY**

The pace of economic growth has slowed. GDP growth rate is forecasted to increase by 1.3 per cent in 2017 and to improve moderately over the medium term with to 2 per cent and 2.2 per cent in 2018 and 2019 respectively. This forecast is supported by marginally higher global growth, stabilising commodity prices, greater reliability of the electricity network, more favourable weather conditions, recovering business and consumer confidence, and improved labour relations. The positive trajectory marks a shift from several years of declining growth however; this is still not high enough to markedly reduce unemployment, poverty and inequality.

Former Finance Minister, Pravin Gordhan said in his budget speech: *"This year's Budget is focused on fiscal consolidation. We cannot spend money we do not have. We cannot borrow beyond our ability to repay. Until we can ignite growth and generate more revenue, we have to be tough on ourselves."*

The time has arrived for Dr Beyers Naude Municipality Municipality to conform to the daunting economic realities we find ourselves in. This budget marks the complete absence of capital spending from own revenue. While we are yet to explore borrowing, we have reached the point where capital spending from own resources is no longer sustainable because of depleted reserves, tariffs that are not reflective of cost and modest debt collection. The growth in the number of indigent households to almost 50% of residential accountholders means that the equitable share allocation caters exclusively for the poor and cannot subsidize low tariffs for other users.

Tariffs in the amalgamating municipalities also differ widely and a uniform tariff structure will have to be phased in. Policy stances will have to provide for this difference and for the phased approach.

The unintended early adoption of the mSCOA Regulations by the other two amalgamating municipalities, poses a further risk and additional cost that has an impact in this budget.

The Budget comprises both Operating and Capital Budgets, which is a requirement of the Constitution and the Municipal Finance Management Act (Act 56 of 2003). The Capital Budget contains new and replacement assets such as roads, buildings, landfill sites, etc. The



Operating Budget, which is the larger of the two, includes the provision for services like water, electricity, refuse collection, sanitation and others. These services include employment cost and bulk purchases as a major portion of the expenditure.

## Operating Budget

### *Expenditure*

The total operating budget decreased from R460.8m in 2016/2017 to R397.9m in 2017/18.

<b>Expenditure item</b>	<b>2016/17 Budget R'000</b>	<b>2017/18 Budget R'000</b>	<b>Year on Year %</b>
Employee cost	130 099 796	126 433 973	-2.82%
Remuneration of councillors	11 389 444	9 195 327	-19.26%
Depreciation and impairment	81 460 266	80 024 441	-1.76%
Material and Bulk purchases	80 657 232	82 173 588	1.88%
Other expenditure	157 292 904	100 106 268	-36.36%
<b>Total</b>	<b>460 899 642</b>	<b>397 933 597</b>	<b>-13.66%</b>

*Table 1: Major Expense Items*

Overall decline of 13.66% can be attributed to the following expenditure items:

### **Reasons for significant variances:**

*Employee Cost:* The budget for the previous year was based on approved organograms of the disestablished municipalities, this year's budget is based on the filled positions as the organogram has not yet been finalised. Thus the decline of 2.82 percent overall, it should also be noted that the annual salary increase of CPI plus 1 percent has been taken into account.

*Depreciation and impairment:* This provides for wear and tear in use of council's assets. The decrease is as a result of the disposal of assets in the 2016/17 financial year.

*Other Expenditure:* This includes free basic services expenditure, Audit Fees, Operational expenditure on grant funding, internal service charges etc.

The following diagram shows the year on year expenditure growth and proportions of the major budgeted expenditure items:

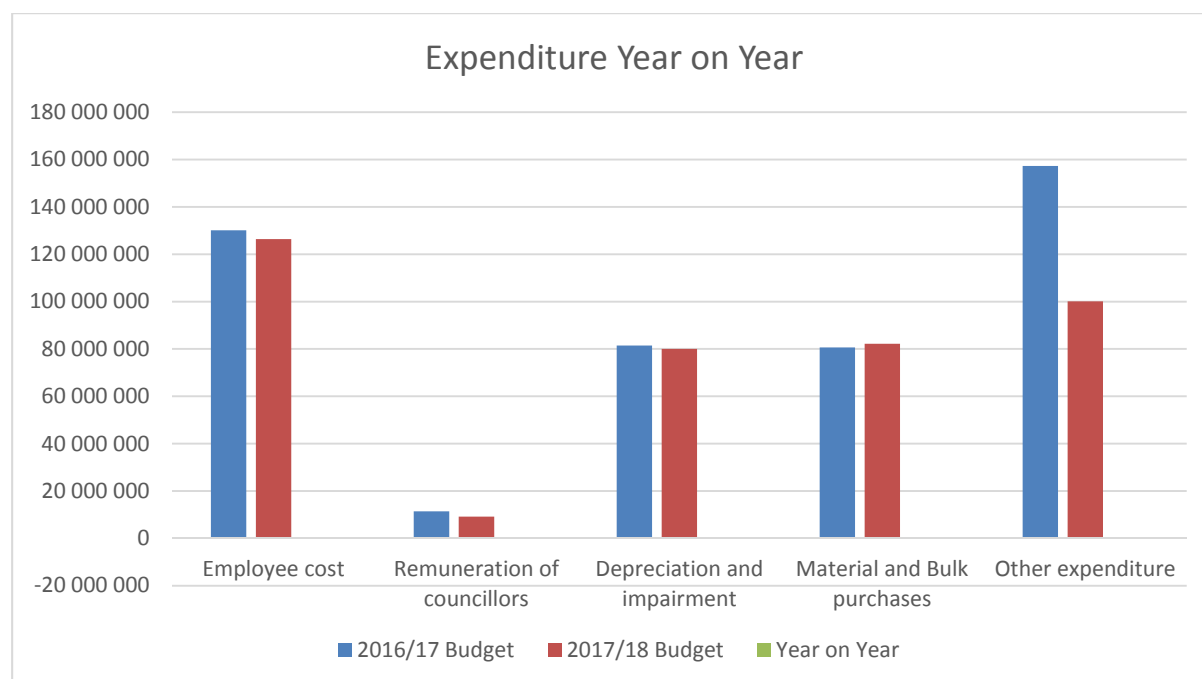


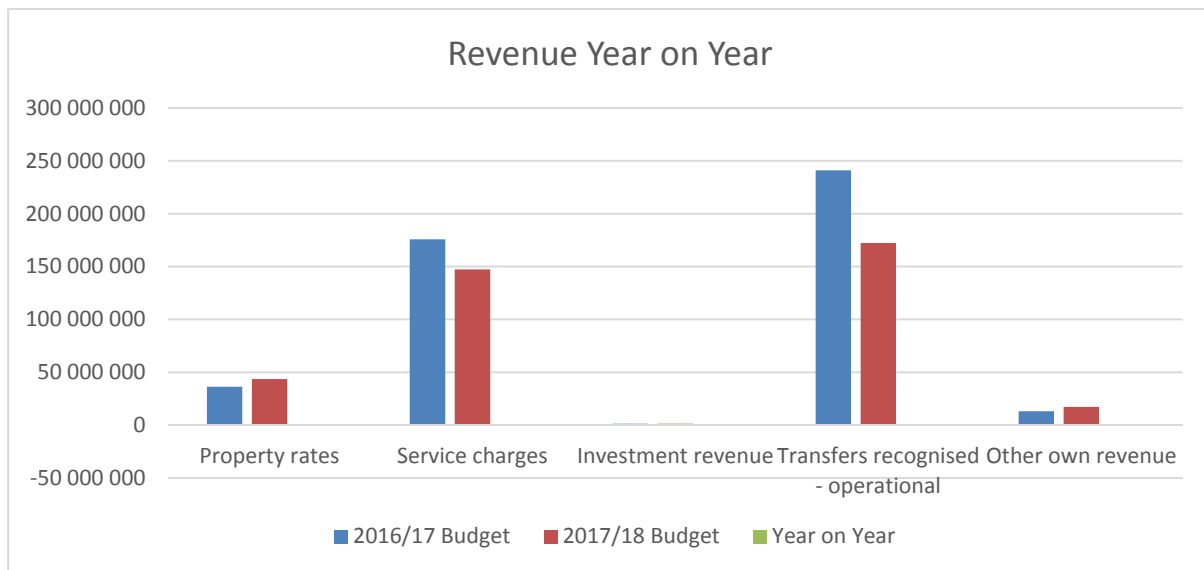
Diagram 1: Expenditure by type

## Revenue

Total Operating Revenue decreased from R467.7m in 2016/2017 to R381.6m in 2017/2018, which represents a decline of 18.40%. Table 2 below gives a breakdown of the major sources of revenue for the budget period 1 July 2017 to 30 June 2018.

Revenue Item	2016/17 Budget R'000	2017/18 Budget R'000	Year on Year %
Property rates	36 391 525	43 595 320	19.80%
Service charges	175 804 347	147 285 818	-16.22%
Investment revenue	1 340 012	1 376 531	2.73%
Transfers recognised - operational	241 055 899	172 199 395	-28.56%
Other own revenue	13 178 717	17 224 484	30.70%
<b>Total</b>	<b>467 770 500</b>	<b>381 681 548</b>	<b>-18.40%</b>

Table 2: Revenue Sources



## Service tariffs/Rates

In respect of tariffs, this budget represents another attempt at pursuing cost reflective tariffs from a very low base. The log jam in establishing water tariffs that reflect the actual cost, seems to a dreadful reality that will remain with us for some time. However, the resistance to increase water tariffs at a rate above CPI keeps us from building upon this advance.

## Rates

Property rates are increased at the level of CPI.

## Electricity

The electricity tariff increases with the NERSA guideline, which is 1.88%. The municipality will adhere to the guideline set by NERSA for this budget period.

## Water

The water tariff increases by 6.40%. The increase of the water tariff is impacted upon by the electricity cost, since electricity represents a major input in pumping water through the reticulation channels. The recent drought was also a factor that had to be considered.

The following diagram gives a graphic breakdown of revenue by source.

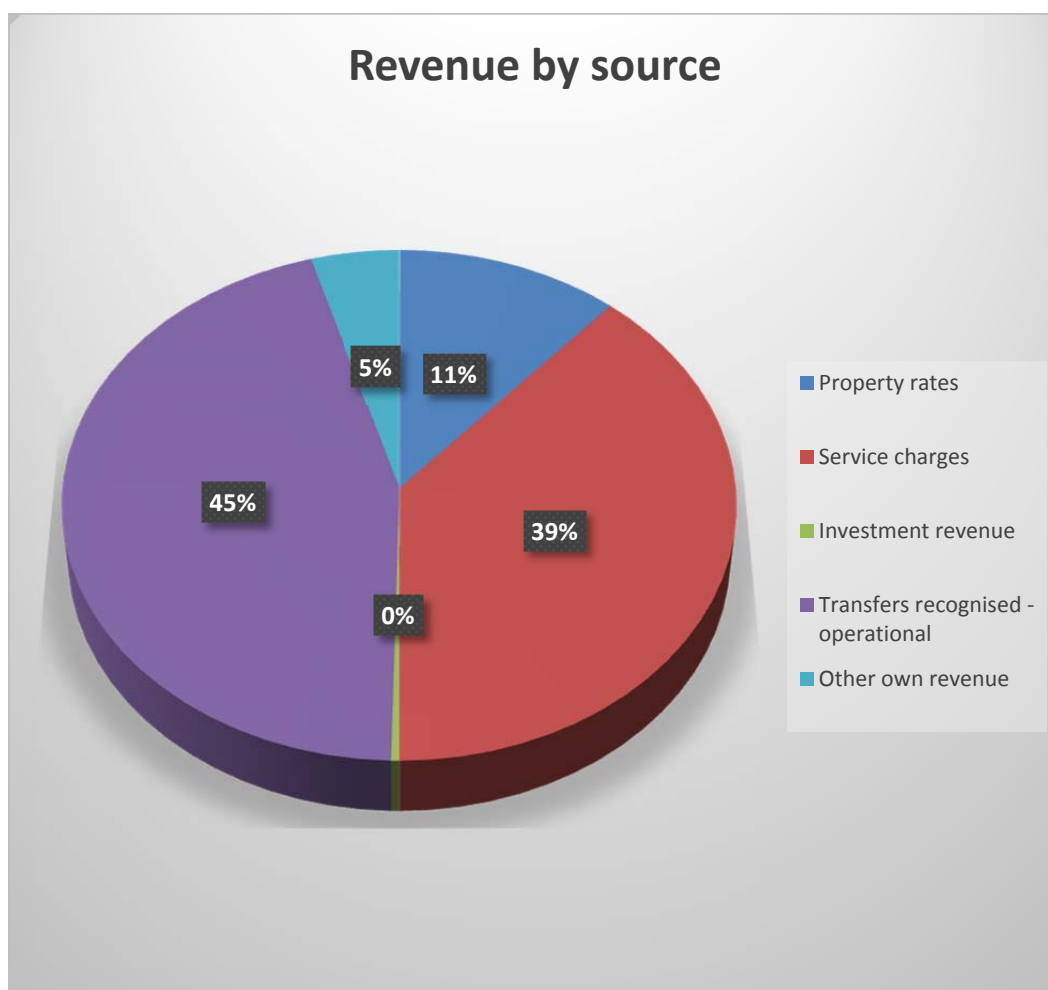


Diagram 2: Revenue by source

Service charges	2016/17 Budget R'000	2017/18 Budget R'000	Year on Year %
Water	32 909 093	30 538 095	-7.20%
Waste Management	11 035 861	8 888 599	-19.46%
Sanitation	15 685 977	14 865 916	-5.23%
Electricity	115 165 545	92 105 585	-20.02%
Other Service charges	1 007 871	887 624	-11.93%
<b>Total</b>	<b>175 804 347</b>	<b>147 285 818</b>	<b>-16.22%</b>

Diagram 3: Service charges by type

## Capital Budget

The capital budget decreased from R99.3m in 2016/17 to R64.7m in 2017/18. This is mainly due to a decrease in internal funding. The following is a breakdown of the funding sources:

### LOCAL GOVERNMENT MTEF ALLOCATIONS: 2017/18 - 2019/20

<b>B EC101 Dr Beyers Naude</b>	<b>2017/18 R thousands</b>	<b>2018/19 R thousands</b>	<b>2019/20 R thousands</b>
<b>Direct transfers</b>			
Equitable share and related	77 494	83 203	88 039
<b>Infrastructure</b>	<b>27 902</b>	<b>28 887</b>	<b>32 928</b>
Municipal infrastructure grant	20 902	21 887	22 928
Integrated national electrification programme (municipal) grant	7 000	7 000	10 000
<b>Capacity building and other current transfers</b>	<b>14 175</b>	<b>6 455</b>	<b>6 715</b>
Local government financial management grant	5 945	6 455	6 715
Expanded public works programme integrated grant for municipalities	1 383		
Municipal demarcation transition grant	6 847		
<b>Sub total direct transfers</b>	<b>119 571</b>	<b>118 545</b>	<b>127 682</b>
<b>Indirect transfers</b>			
<b>Infrastructure transfers</b>	<b>34 339</b>	<b>29 339</b>	<b>7 975</b>
Regional bulk infrastructure grant	32 000	27 000	5 500
Integrated national electrification programme (Eskom) grant	2 339	2 339	2 475
<b>Capacity building and other current transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
Municipal systems improvements grant			
<b>Sub total indirect transfers</b>	<b>34 339</b>	<b>29 339</b>	<b>7 975</b>
<b>Total</b>	<b>153 910</b>	<b>147 884</b>	<b>135 657</b>

#### Transfers from Provincial Departments

<b>Municipal Allocations from Provincial Departments</b>	<b>13 618</b>	<b>2 389</b>	<b>2 523</b>
<i>of which</i>			
<b>Cooperative Governance and Traditional Affairs</b>	<b>8 806</b>	<b>-</b>	<b>-</b>
Municipal Electrification Intervention Projects			
Local Government Support and Eskom Debt	3 721		
Chris Hani Water Intervention			
Amalgamation of Municipalities	4 000		
Finance Management Support	1 085		
<b>Economic Development, Environmental Affairs &amp; Tourism</b>	<b>2 554</b>	<b>-</b>	<b>-</b>
EPWP, Greenest Municipality Competition and Waste Management	2 554		
<b>Human Settlements</b>	<b>-</b>	<b>-</b>	<b>-</b>
Human Settlement Development Grant			
<b>Sport, Recreation, Arts and Culture</b>	<b>2 258</b>	<b>2 389</b>	<b>2 523</b>
Library and Archives Services	2 258	2 389	2 523

Table 3: Capital funding sources

The municipality also attempted to find a balance in capital spending on the different IDP priorities and the wards, as illustrated in the following table:

**Key Development areas**

Infrastructure Development	59 156 630
Community Development	3 675 000
Institutional Development	1 928 800
Local Economic Development	-
Back to basics ((i) Good Governance & Public Participation and (ii) Sound Financial Management) – Covered in Operational Budget	-
	<b>64 760 430</b>

### **3.1 MAIN FEATURES OF THE BUDGET**

The assumptions and principles used in the development of the budget are based on the guidelines received from the National Treasury circulars 85 and 86, as well as other external bodies such as the National Electricity Regulator of South Africa (NERSA) and the South African Local Government Bargaining Council (SALGBC). The strategic focus of the Integrated Development Plan informed the Budget, taking into account the issue of affordability. These guidelines were considered appropriate to inform the development of the Budget.

Besides the uncertainties mentioned due to the amalgamation process, the growth in staff spending is a cause for concern. Although the positions are necessary, the management of cash flow to meet salary payments have become a sharp focus in the municipality. Add to this an ever increasing ESKOM and Auditor General bills and the potential for default becomes very real.

It has become increasingly difficult to find the happy medium between cost recovery and affordability. One gets the feeling that affordability has emerged with the controlling share every time, but to the detriment of the institution and its sustainability.

Looking after the poor has been a feature of budgets in the modern South Africa. This budget is no different. However, the debate of what the size of a typical SA household should be, keeps haunting us as we try to curb cost related to indigent support.

The budget related policies as outlined have been adhered to in the development of the budget, whilst continuous monitoring of budget performance is made possible through the Service Delivery and Budget Implementation Plan.

### **3.2 HIGH LEVEL PERFORMANCE OBJECTIVES FOR 2017/18**

The more significant performance objectives, which informed the preparation of the Budget is set out in the Service Delivery and Budget Implementation Plan, of which a draft will be submitted to the mayor.

### **3.3 BUDGET STRATEGY AND ASSUMPTIONS**

- a) Considering National Treasury's guideline for year-on-year increases in expenditure, which is the headline inflation rate of 6.4% for 2017, the annual increase for the 2017/18 tabled budget is limited to following:
  - The overall increase in operating expenditure be limited to 6.4%
  - The overall increase in human resource costs be restricted to the SALGBC determined agreement of average CPI percentage for the twelve month period, as published by Statistics South Africa, plus 1%.
- b) Rates and tariff increases consider the inflation rate of 6.4%, as well as affordability levels. Where there is significant under-recovery of cost on economic services, such cost-reflective tariffs be phased in.
- c) The Direct Reports prepare the Operating and Capital Budgets aligned to the IDP and that this is supported by the SDBIP of the organisation.

Budget assumptions or perimeters are determined in advance of the budget process to allow the budget to support the long term financial and strategic targets.

The municipal fiscal environment is directly impacted on by a variety of macro-economic control measures. National Treasury provides guidelines on the year-on-year budget growth, while NERSA regulates the electricity tariff increases. This year the NERSA guideline for electricity tariff increases stands at 1.88% to be introduced for implementation on 1 July 2017.

Various government departments also affect municipal service delivery through the level of grants and subsidies to the municipality. Examples are the Fire Services grant from Local Government, the electrification grant from the Department of Energy, as well as RBIG grant from the Department of Water Affairs.

The principles and priorities included in the IDP directly informed the compilation of the Budget.

## 4. BUDGET TABLES

### Budget schedules to be approved by resolution of Council

EC101 Dr. Beyers Naude - Table A1 Budget Summary

Description	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>R thousands</b>										
<b>Financial Performance</b>										
Property rates	-	-	-	35 441	-	-	-	43 595	46 080	48 661
Service charges	-	-	-	176 985	-	-	-	147 286	155 681	164 399
Investment revenue	-	-	-	1 340	-	-	-	1 377	1 455	1 536
Transfers recognised - operational	-	-	-	131 095	-	-	-	107 439	113 563	119 923
Other own revenue	-	-	-	14 780	-	-	-	17 224	18 206	19 226
<b>Total Revenue (excluding capital transfers and contributions)</b>	-	-	-	359 641	-	-	-	316 921	334 986	353 745
Employee costs	-	-	-	120 809	-	-	-	126 434	133 641	141 125
Remuneration of councillors	-	-	-	10 189	-	-	-	9 195	9 719	10 264
Depreciation & asset impairment	-	-	-	66 612	-	-	-	71 165	75 221	79 434
Finance charges	-	-	-	1 313	-	-	-	328	347	366
Materials and bulk purchases	-	-	-	73 936	-	-	-	61 837	65 361	69 022
Transfers and grants	-	-	-	28 075	-	-	-	67	71	75
Other expenditure	-	-	-	123 343	-	-	-	128 908	136 255	143 886
<b>Total Expenditure</b>	-	-	-	424 278	-	-	-	397 934	420 616	444 170
<b>Surplus/(Deficit)</b>	-	-	-	(64 637)	-	-	-	(81 012)	(85 630)	(90 425)
Transfers and subsidies - capital (monetary allocation)	-	-	-	108 129	-	-	-	64 760	68 452	72 285
Contributions recognised - capital & contributed assets	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	-	-	-	43 492	-	-	-	(16 252)	(17 178)	(18 140)
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	-	-	-	43 492	-	-	-	(16 252)	(17 178)	(18 140)
<b>Capital expenditure &amp; funds sources</b>										
<b>Capital expenditure</b>	-	-	-	99 309	-	-	-	64 760	68 452	72 285
Transfers recognised - capital	-	-	-	99 169	-	-	-	64 460	68 135	71 950
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	140	-	-	-	300	317	335
<b>Total sources of capital funds</b>	-	-	-	99 309	-	-	-	64 760	68 452	72 285
<b>Financial position</b>										
Total current assets	-	-	-	67 354	-	-	-	71 665	75 750	79 991
Total non current assets	-	-	-	1 182 632	-	-	-	1 258 321	1 330 045	1 404 527
Total current liabilities	-	-	-	74 855	-	-	-	79 646	84 185	88 900
Total non current liabilities	-	-	-	52 214	-	-	-	55 556	58 722	62 011
Community wealth/Equity	-	-	-	1 122 917	-	-	-	1 194 784	1 262 887	1 333 608
<b>Cash flows</b>										
Net cash from (used) operating	-	-	-	28 731	-	-	-	(22 808)	(24 108)	(25 458)
Net cash from (used) investing	-	-	-	(102 435)	-	-	-	(58 167)	(61 483)	(64 926)
Net cash from (used) financing	-	-	-	2 010	-	-	-	2 138	2 260	2 387
<b>Cash/cash equivalents at the year end</b>	-	-	-	(71 166)	-	-	-	(78 280)	(161 611)	(249 607)
<b>Cash backing/surplus reconciliation</b>										
Cash and investments available	-	-	-	4 979	-	-	-	5 297	5 599	5 913
Application of cash and investments	-	-	-	6 210	-	-	-	6 025	6 368	6 725
<b>Balance - surplus (shortfall)</b>	-	-	-	(1 231)	-	-	-	(727)	(769)	(812)
<b>Asset management</b>										
Asset register summary (WDV)	-	-	-	1 295 102	-	-	-	-	-	-
Depreciation	-	-	-	66 612	-	-	72 601	72 601	76 739	81 036
Renewal of Existing Assets	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	18 582	-	-	18 054	18 054	19 083	20 151
<b>Free services</b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
<b>Households below minimum service level</b>										
Water:	-	-	-	-	-	-	-	-	-	-
Sanitation/sewerage:	-	-	-	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-



EC101 Dr. Beyers Naude - Table A2 Budgeted Financial Performance (revenue and expenditure by functional classification)

Functional Classification Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1									
<b>Revenue - Functional</b>										
<i>Governance and administration</i>		-	-	-	185 001	-	-	153 844	162 613	171 719
Executive and council		-	-	-	69 568	-	-	14 940	15 792	16 676
Finance and administration		-	-	-	115 433	-	-	138 903	146 821	155 043
Internal audit		-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		-	-	-	10 206	-	-	11 058	11 688	12 343
Community and social services		-	-	-	3 462	-	-	334	353	373
Sport and recreation		-	-	-	79	-	-	175	185	195
Public safety		-	-	-	4 706	-	-	10 535	11 135	11 759
Housing		-	-	-	722	-	-	14	15	16
Health		-	-	-	1 236	-	-	-	-	-
<i>Economic and environmental services</i>		-	-	-	6 165	-	-	599	633	669
Planning and development		-	-	-	797	-	-	189	199	211
Road transport		-	-	-	5 368	-	-	410	434	458
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	265 675	-	-	215 851	228 154	240 931
Energy sources		-	-	-	127 649	-	-	105 934	111 972	118 243
Water management		-	-	-	89 284	-	-	62 543	66 108	69 810
Waste water management		-	-	-	37 485	-	-	35 841	37 884	40 005
Waste management		-	-	-	11 257	-	-	11 533	12 190	12 873
<i>Other</i>	4	-	-	-	724	-	-	330	349	368
<b>Total Revenue - Functional</b>	2	-	-	-	467 771	-	-	381 682	403 437	426 030
<b>Expenditure - Functional</b>										
<i>Governance and administration</i>		-	-	-	140 364	-	-	127 780	135 063	142 627
Executive and council		-	-	-	58 878	-	-	36 173	38 235	40 376
Finance and administration		-	-	-	81 486	-	-	91 518	96 734	102 151
Internal audit		-	-	-	-	-	-	89	94	100
<i>Community and public safety</i>		-	-	-	31 094	-	-	34 193	36 142	38 166
Community and social services		-	-	-	6 926	-	-	4 817	5 091	5 376
Sport and recreation		-	-	-	14 788	-	-	15 597	16 486	17 409
Public safety		-	-	-	6 634	-	-	9 488	10 028	10 590
Housing		-	-	-	629	-	-	11	11	12
Health		-	-	-	2 117	-	-	4 282	4 526	4 780
<i>Economic and environmental services</i>		-	-	-	43 059	-	-	44 682	47 229	49 873
Planning and development		-	-	-	6 241	-	-	6 572	6 947	7 336
Road transport		-	-	-	36 819	-	-	38 110	40 282	42 538
Environmental protection		-	-	-	-	-	-	-	-	-
<i>Trading services</i>		-	-	-	207 237	-	-	189 136	199 917	211 112
Energy sources		-	-	-	103 638	-	-	88 250	93 281	98 504
Water management		-	-	-	43 183	-	-	43 131	45 590	48 143
Waste water management		-	-	-	41 397	-	-	41 170	43 516	45 953
Waste management		-	-	-	19 020	-	-	16 585	17 530	18 512
<i>Other</i>	4	-	-	-	2 523	-	-	2 143	2 265	2 392
<b>Total Expenditure - Functional</b>	3	-	-	-	424 278	-	-	397 934	420 616	444 170
<b>Surplus/(Deficit) for the year</b>		-	-	-	43 492	-	-	(16 252)	(17 178)	(18 140)

EC101 Dr. Beyers Naude - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	Ref	2013/14	2014/15	2015/16	Current Year 2016/17			2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
<b>Revenue by Vote</b>	1									
Vote 1 - EXECUTIVE & COUNCIL		-	-	-	70 364	-	-	15 129	15 991	16 887
Vote 2 - CORPORATE SERVICES - ADMINISTRATIVE		-	-	-	8 307	-	-	661	698	737
Vote 3 - CORPORATE SERVICES - COMMUNITY SERVICES		-	-	-	15 579	-	-	12 282	12 982	13 709
Vote 4 - CORPORATE SERVICES - PROTECTION		-	-	-	6 111	-	-	10 535	11 135	11 759
Vote 5 - FINANCIAL SERVICES		-	-	-	109 028	-	-	138 347	146 232	154 421
Vote 6 - TECHNICAL SERVICES - ENGINEERING		-	-	-	130 733	-	-	98 795	104 426	110 274
Vote 7 - TECHNICAL SERVICES - ELECTRICAL		-	-	-	127 649	-	-	105 934	111 972	118 243
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	-	-	-	467 771	-	-	381 682	403 437	426 030
<b>Expenditure by Vote to be appropriated</b>	1									
Vote 1 - EXECUTIVE & COUNCIL		-	-	-	66 304	-	-	44 179	46 697	49 312
Vote 2 - CORPORATE SERVICES - ADMINISTRATIVE		-	-	-	29 367	-	-	26 370	27 873	29 434
Vote 3 - CORPORATE SERVICES - COMMUNITY SERVICES		-	-	-	42 395	-	-	38 271	40 453	42 718
Vote 4 - CORPORATE SERVICES - PROTECTION		-	-	-	6 634	-	-	9 488	10 028	10 590
Vote 5 - FINANCIAL SERVICES		-	-	-	55 039	-	-	68 965	72 896	76 978
Vote 6 - TECHNICAL SERVICES - ENGINEERING		-	-	-	120 901	-	-	122 411	129 388	136 634
Vote 7 - TECHNICAL SERVICES - ELECTRICAL		-	-	-	103 638	-	-	88 250	93 281	98 504
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	-	-	-	424 278	-	-	397 934	420 616	444 170
<b>Surplus/(Deficit) for the year</b>	2	-	-	-	43 492	-	-	(16 252)	(17 178)	(18 140)

EC101 Dr. Beyers Naude - Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand	1										
Revenue By Source											
Property rates	2	–	–	–	35 441	–	–	–	43 595	46 080	48 661
Service charges - electricity revenue	2	–	–	–	116 392	–	–	–	92 106	97 356	102 808
Service charges - water revenue	2	–	–	–	32 909	–	–	–	30 538	32 279	34 086
Service charges - sanitation revenue	2	–	–	–	15 716	–	–	–	14 866	15 713	16 593
Service charges - refuse revenue	2	–	–	–	11 036	–	–	–	8 889	9 395	9 921
Service charges - other					932				888	938	991
Rental of facilities and equipment					1 124				1 074	1 136	1 199
Interest earned - external investments					1 340				1 377	1 455	1 536
Interest earned - outstanding debtors					3 779				1 867	1 973	2 084
Dividends received									–	–	–
Fines, penalties and forfeits					251				100	106	112
Licences and permits					4 098				5 972	6 313	6 666
Agency services					1 650				334	353	373
Transfers and subsidies					131 095				107 439	113 563	119 923
Other revenue	2	–	–	–	3 425	–	–	–	1 284	1 357	1 433
Gains on disposal of PPE					453				6 593	6 969	7 359
Total Revenue (excluding capital transfers and contributions)		–	–	–	359 641	–	–	–	316 921	334 986	353 745
Expenditure By Type											
Employee related costs	2	–	–	–	120 809	–	–	–	126 434	133 641	141 125
Remuneration of councillors					10 189				9 195	9 719	10 264
Debt impairment	3				7 105				8 860	9 365	9 889
Depreciation & asset impairment	2	–	–	–	66 612	–	–	–	71 165	75 221	79 434
Finance charges					1 313				328	347	366
Bulk purchases	2	–	–	–	73 936	–	–	–	61 837	65 361	69 022
Other materials	8								–	–	–
Contracted services		–	–	–	9 754	–	–	–	3 563	3 766	3 977
Transfers and subsidies		–	–	–	28 075	–	–	–	67	71	75
Other expenditure	4, 5	–	–	–	106 447	–	–	–	116 447	123 085	129 978
Loss on disposal of PPE					37				37	39	42
Total Expenditure		–	–	–	424 278	–	–	–	397 934	420 616	444 170
Surplus/(Deficit)											
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)					(64 637)	–	–	–	(81 012)	(85 630)	(90 425)
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Education Institutions)					108 129				64 760	68 452	72 285
Transfers and subsidies - capital (in-kind - all)	6	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions		–	–	–	43 492	–	–	–	(16 252)	(17 178)	(18 140)
Taxation										–	–
Surplus/(Deficit) after taxation		–	–	–	43 492	–	–	–	(16 252)	(17 178)	(18 140)
Attributable to minorities										–	–
Surplus/(Deficit) attributable to municipality		–	–	–	43 492	–	–	–	(16 252)	(17 178)	(18 140)
Share of surplus/ (deficit) of associate	7									–	–
Surplus/(Deficit) for the year		–	–	–	43 492	–	–	–	(16 252)	(17 178)	(18 140)



EC101 Dr. Beyers Naude - Table A5 Budgeted Capital Expenditure by vote, functional classification and funding

Vote Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - EXECUTIVE & COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES - ADMINISTRATIVE		-	-	-	-	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - CORPORATE SERVICES - PROTECTION		-	-	-	-	-	-	-	-	-	-
Vote 5 - FINANCIAL SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 6 - TECHNICAL SERVICES - ENGINEERING		-	-	-	-	-	-	-	-	-	-
Vote 7 - TECHNICAL SERVICES - ELECTRICAL		-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - EXECUTIVE & COUNCIL		-	-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES - ADMINISTRATIVE		-	-	-	550	-	-	-	-	-	-
Vote 3 - CORPORATE SERVICES - COMMUNITY SERVICES		-	-	-	1 847	-	-	-	-	-	-
Vote 4 - CORPORATE SERVICES - PROTECTION		-	-	-	-	-	-	-	4 094	4 327	4 569
Vote 5 - FINANCIAL SERVICES		-	-	-	611	-	-	-	1 510	1 596	1 685
Vote 6 - TECHNICAL SERVICES - ENGINEERING		-	-	-	88 057	-	-	-	51 857	54 812	57 882
Vote 7 - TECHNICAL SERVICES - ELECTRICAL		-	-	-	8 244	-	-	-	7 300	7 716	8 148
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		-	-	-	99 309	-	-	-	64 760	68 452	72 285
Total Capital Expenditure - Vote		-	-	-	99 309	-	-	-	64 760	68 452	72 285
Capital Expenditure - Functional											
Governance and administration		-	-	-	1 161	-	-	-	1 510	1 596	1 685
Executive and council					-					-	-
Finance and administration					611				1 510	1 596	1 685
Internal audit					550					-	-
Community and public safety		-	-	-	1 847	-	-	-	4 094	4 327	4 569
Community and social services					-					-	-
Sport and recreation					1 847					-	-
Public safety									4 094	4 327	4 569
Housing										-	-
Health										-	-
Economic and environmental services		-	-	-	12 074	-	-	-	2 320	2 453	2 590
Planning and development					487					-	-
Road transport					11 587				2 320	2 453	2 590
Environmental protection										-	-
Trading services		-	-	-	84 228	-	-	-	56 836	60 076	63 440
Energy sources					8 244				7 300	7 716	8 148
Water management					62 875				43 306	45 774	48 337
Waste water management					13 109				6 231	6 586	6 954
Waste management									-	-	-
Other										-	-
Total Capital Expenditure - Functional	3	-	-	-	99 309	-	-	-	64 760	68 452	72 285
Funded by:											
National Government					78 210				64 460	68 135	71 950
Provincial Government					20 959					-	-
District Municipality										-	-
Other transfers and grants										-	-
Transfers recognised - capital	4	-	-	-	99 169	-	-	-	64 460	68 135	71 950
Public contributions & donations	5									-	-
Borrowing	6									-	-
Internally generated funds					140				300	317	335
Total Capital Funding	7	-	-	-	99 309	-	-	-	64 760	68 452	72 285

EC101 Dr. Beyers Naude - Table A6 Budgeted Financial Position

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
ASSETS											
Current assets											
Cash					6 466				6 880	7 272	7 680
Call investment deposits	1	-	-	-	-	-	-	-	-	-	-
Consumer debtors	1	-	-	-	32 678	-	-	-	34 769	36 751	38 809
Other debtors					25 191				26 804	28 331	29 918
Current portion of long-term receivables									-	-	-
Inventory	2				3 019				3 212	3 395	3 585
Total current assets		-	-	-	67 354	-	-	-	71 665	75 750	79 991
Non current assets											
Long-term receivables									-	-	-
Investments									-	-	-
Investment property					87 236				92 819	98 110	103 604
Investment in Associate									-	-	-
Property, plant and equipment	3	-	-	-	1 091 932	-	-	-	1 161 816	1 228 040	1 296 810
Agricultural									-	-	-
Biological					659				701	741	783
Intangible					131				139	147	156
Other non-current assets					2 674				2 845	3 007	3 176
Total non current assets		-	-	-	1 182 632	-	-	-	1 258 321	1 330 045	1 404 527
TOTAL ASSETS		-	-	-	1 249 986	-	-	-	1 329 985	1 405 794	1 484 519
LIABILITIES											
Current liabilities											
Bank overdraft	1				1 488				1 583	1 673	1 767
Borrowing	4	-	-	-	779	-	-	-	828	876	925
Consumer deposits					3 461				3 683	3 893	4 111
Trade and other payables	4	-	-	-	62 995	-	-	-	67 027	70 847	74 815
Provisions					6 133				6 525	6 897	7 283
Total current liabilities		-	-	-	74 855	-	-	-	79 646	84 185	88 900
Non current liabilities											
Borrowing		-	-	-	10 065	-	-	-	10 709	11 319	11 953
Provisions		-	-	-	42 149	-	-	-	44 847	47 403	50 058
Total non current liabilities		-	-	-	52 214	-	-	-	55 556	58 722	62 011
TOTAL LIABILITIES		-	-	-	127 069	-	-	-	135 201	142 908	150 911
NET ASSETS	5	-	-	-	1 122 917	-	-	-	1 194 784	1 262 887	1 333 608
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)					1 110 883				1 181 980	1 249 353	1 319 316
Reserves	4	-	-	-	12 034	-	-	-	12 804	13 534	14 292
TOTAL COMMUNITY WEALTH/EQUITY	5	-	-	-	1 122 917	-	-	-	1 194 784	1 262 887	1 333 608

EC101 Dr. Beyers Naude - Table A7 Budgeted Cash Flows

Description	Ref	2013/14	2014/15	2015/16	Current Year 2016/17				2017/18 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2017/18	Budget Year +1 2018/19	Budget Year +2 2019/20
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Property rates					34 681				43 595	46 080	48 661
Service charges					176 831				147 286	155 681	164 399
Other revenue					10 995				8 765	9 264	9 783
Government - operating	1				114 160				107 439	113 563	119 923
Government - capital	1				108 129				64 760	68 452	72 285
Interest					5 178				3 243	3 428	3 620
Dividends									-	-	-
Payments											
Suppliers and employees					(413 206)				(397 501)	(420 159)	(443 688)
Finance charges					(105)				(328)	(347)	(366)
Transfers and Grants	1				(7 934)				(67)	(71)	(75)
NET CASH FROM/(USED) OPERATING ACTIVITIES		-	-	-	28 731	-	-	-	(22 808)	(24 108)	(25 458)
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE					489				6 593	6 969	7 359
Decrease (Increase) in non-current debtors									-	-	-
Decrease (increase) other non-current receivables									-	-	-
Decrease (increase) in non-current investments									-	-	-
Payments											
Capital assets					(102 924)				(64 760)	(68 452)	(72 285)
NET CASH FROM/(USED) INVESTING ACTIVITIES		-	-	-	(102 435)	-	-	-	(58 167)	(61 483)	(64 926)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans									-	-	-
Borrowing long term/refinancing									-	-	-
Increase (decrease) in consumer deposits					2 010				2 138	2 260	2 387
Payments											
Repayment of borrowing									-	-	-
NET CASH FROM/(USED) FINANCING ACTIVITIES		-	-	-	2 010	-	-	-	2 138	2 260	2 387
NET INCREASE/ (DECREASE) IN CASH HELD		-	-	-	(71 695)	-	-	-	(78 837)	(83 330)	(87 997)
Cash/cash equivalents at the year begin:	2				528				557	(78 280)	(161 611)
Cash/cash equivalents at the year end:	2	-	-	-	(71 166)	-	-	-	(78 280)	(161 611)	(249 607)

## **PART 2 – SUPPORTING DOCUMENTATION**

### **2.1 OVERVIEW OF THE BUDGET PROCESS**

In terms of Section 53 of the Municipal Finance Management Act (Act 56 of 2003) the mayor of the municipality is required to provide political guidance over the budget process and the priorities that guide the preparation of the budget. In addition, Chapter 2 of the Municipal Budget Regulations states that the mayor must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in section 53 of the Act.

The budget planning process leaves much to be desired. Inputs from the Budget Steering Committee were limited to the workshops held with staff and the council. The IDP process provides a good basis for the budget, but the project plans are still incomplete when the budget process starts and final adjustments to projects impact the finalization of the budget.

Budget workshops were held. Lively debate ensued about different matters, but more particularly about the following: depreciation, affordability and cost reflective tariffs, cost cutting measures and the electricity increase.

The budget process started in August 2016 and proceeded along the following timeline:

## **Dr Beyers Naude Local Municipality Schedule of Key Deadlines - Budget & IDP 2017-2018 Budget Year**

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Tabled Budget 2017/2018



<b>Date</b>	<b>Action</b>	<b>Reference</b>	<b>Responsibility</b>
<b>August 2016</b>	<b>Plan &amp; Prepare</b>		
n/a	Review previous year's budget process		Mayor & BSC
<b>31</b>	Table in Council Budget & IDP Time Schedule	MFMA 21(1)(b) & 53 (1)(b) MSA s34	Mayor & BSC <b>Special Council</b>
<b>31</b>	Establish/confirm Committees and consultation forums	MFMA guidance	Mayor & BSC <b>Special Council</b>
<b>Sept 2016</b>	<b>Consult &amp; review</b>		
1	Publicise schedule on website	MFMA guidance	Accounting Officer
1	Implementation of Budget & IDP key deadlines	MFMA guidance	Accounting Officer
<b>30</b>	Review provincial & national Government sector and strategic plans	MFMA Guidance	Mayor & BSC <b>BSC Meeting</b>
From 1 <sup>st</sup>	Consult with community on changing needs and expectations	MSA ch4 as amended	Mayor & BSC
<b>October 2016</b>	<b>Review and update</b>		
3 - 21	Review and update budget related policies	MFMA Guidance	Accounting Officer
24 - 31	Evaluate revenue projections for next budget year, proposed rates and service charges	MFMA Guidance	Accounting Officer Mayor & BSC
31	Review of potential price increases of bulk resources (electricity)	MFMA s42	Accounting Officer
<b>Nov 2016</b>	<b>Conclude &amp; confirm</b>		
1 - 11	Engage with national & provincial Sector departments on alignment with municipal plans	MFMA Guidance	Accounting Officer
1 - 30	Conclude initial community consultation on priorities	MSA ch4	Mayor & BSC <b>BSC Meeting</b>
30	Identify government allocations to municipality	MFMA Guidance	Accounting Officer
16 - 30	Commence preparation of Departmental plans & SDBIP aligned to IDP and community inputs	MFMA Guidance	Accounting Officer
<b>Dec 2016</b>	<b>Draft &amp; discuss</b>		
<b>1</b>	Conclude first budget draft and Policies for council discussion	MFMA Guidance	Accounting Officer <b>Workshop</b>
12	Consider Community and stakeholder consultation on inputs, financial models, impact on tariffs and charges	MSA ch4 as amended	Accounting Officer
12	Management discussion and debate on estimated plans and resources	MFMA Guidance	Accounting Officer
13	Consider Council discussion and debate on estimated plans and resources	MFMA s53	Mayor & BSC
<b>January 2017</b>	<b>Finalise</b>		
16	Finalise inputs from bulk providers (Eskom)	MFMA Guidance	Accounting Officer
27	Finalise first draft of departmental plans and SDBIP for review against strategic priorities	MFMA Guidance	Accounting Officer
30	Finalise detailed Capital & Operational Budgets & align to IDP and draft SDBIP	MFMA Guidance	Accounting Officer

<u>Date</u>	<u>Action</u>	<u>Reference</u>	<u>Responsibility</u>
<b>26</b>	Report to Council on status of Budget – reinforce upcoming process on budget approval & oversight	MFMA Guidance	Mayor & BSC BSC Special Council meeting
<b>February 2017</b>	<b>Transfers and tabling</b>		
15	Note the President's "State of the Nation" address for budget priorities	MFMA Guidance	Mayor & BSC
25	Mid-year budget and performance Assessment visits (NT/PT)	MFMA Guidance	PMS Officer CFO
28	Note National and provincial allocations to municipality for incorporation in the budget	MFMA Guidance	Accounting Officer
<b>28</b>	Council workshop on Capital and Operational Budget	MFMA Guidance	Chief Financial Officer Workshop
<b>March 2017</b>	<b>Consult &amp; Confirm</b>		
17	Receive Bulk resource providers' price increases	MFMA s42	Accounting Officer
17	Incorporate transfers to and from municipalities	MFMA s37(2)	Accounting Officer
17	Print and distribute all documents prior to meeting of budget tabling	MFMA Guidance	Accounting Officer
<b>28</b>	Table in Council the annual budget and all supporting documentation	MFMA s16(2); s17 & s87(3)	Mayor & BSC Special Council
<b>April 2017</b>	<b>Consider</b>		
6	Submit tabled budget to Treasury and affected organs of state	MFMA s22	Accounting Officer
6	Publicise the tabled budget and supporting documentation	MFMA s22	Accounting Officer
25	Budget and Benchmark Assessments (NT/PT)	MFMA Guidance	CFO
28	Note National & Provincial allocations to municipality for incorporation in budget	MFMA Guidance	Accounting Officer
3 - 26	Public hearings Meetings with Wards	MFMA s23; s24 MSA ch 4 as amended	Mayor & BSC Ward Councillors Accounting Officer
28	Confirm provincial & national budget allocations	MFMA Guidance	Accounting Officer
28	Review provincial and national legislation for new reporting requirements and deadlines	New	Accounting Officer
<b>28</b>	Consider views of community and Stakeholders and, if needed, revise budget and table amendments for council consideration	MFMA s23(1)&(2)	Accounting Officer Mayor & BSC BSC Meeting
<b>May 2017</b>	<b>Consider &amp; Approve</b>		
8 - 12	Assist mayor in preparing final budget documentation for approval by council	MFMA s68	Accounting Officer
12	Review any comments from National or Provincial government or organ of state	MFMA s68	Accounting Officer
15 - 19	Print and distribute budget documentation, draft IDP and SDBIP	MFMS Guidance	Accounting Officer

23	Consider approval of the annual Budget	MFMA s24(1)	Council
<b>23</b>	Approve annual budget by council resolution (including taxes, tariffs, measureable performance objectives, changes to IDP and budget related policies, SDBIP and LTC's where appropriate)	MFMA s16(1), s24(2) & s53(1)(c)(ii)	Council  Special Council Meeting
26	Publicise approved budget and submit to Treasury	MFMA s75	Accounting Officer

## **2.2 PRIORITIES AND LINKAGES TO THE IDP**

A new 5 year Integrated Development Plan has been developed and the budget is based on the priorities identified by the communities. The following priorities are based on these consultative processes:

1. Infrastructure Development
2. Community Development
3. Institutional Development
4. Local Economic Development
5. Back to Basics ((i) Good Governance & Public Participation and (ii) Sound Financial Management).

The following table sets out the extent to which the budget is linked to the Integrated Development Plan:

### **Key Development areas**

Infrastructure Development	59 156 630
Community Development	3 675 000
Institutional Development	1 928 800
Local Economic Development	-
Back to basics ((i) Good Governance & Public Participation and (ii) Sound Financial Management)– Covered in Operational Budget	-
	<b>64 760 430</b>

## **2.3 MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS**

*Refer to SDBIP*

## **2.4 OVERVIEW OF BUDGET RELATED POLICIES**

The following list of budget-related policies have been reviewed in terms of the consolidated policies referred to at the budget workshop:

- *Credit Control and Debt Collection Policy*
- *Indigence (Free Basic Services) Policy*
- *Supply Chain Management Policy*
- *Unauthorised, irregular, fruitless and wasteful expenditure policy*
- *Contract Management Policy*
- *Asset Management Policy*
- *Inventory Policy*
- *Budget Policy*
- *Virement Policy*
- *Rewards, Gifts and Favours Policy*

## **2.5 OVERVIEW OF BUDGET ASSUMPTIONS**

The following key assumptions underpinned the preparation of the Budget:

<b>Revenue</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>
Water tariffs	6.4%	10%	10%
Sanitation tariffs	6.4%	8%	8%
Refuse tariff increases	6.4%	8%	8%
Electricity tariffs	1.88%	6%	8%
Revenue collection rates	65%	70%	75%
<b>Expenditure</b>			
Total expenditure increase allowed	6.4%	5.7%	5.6%
Salary increase	7.4%	6.7%	6.6%
Increase in repairs and maintenance	5%	5%	5%
Increase in bulk purchases electricity	0.31%	5.7%	5.6%

*Table 5: Key Assumptions*

## **2.6 OVERVIEW OF BUDGET FUNDING**

The Operating budget is funded from revenue sources identified in *Table 2* above and further detail is contained in the budget tables. The increase to the operating expenses is funded through the rates and tariff increases, as well as operating grants received from the National Fiscus (Table 3).

The Capital budget is funded from the sources shown in Table 3 above. Furthermore, the municipality does not foresee the need to borrow in order to fund capital expenditure, primarily because of the associated risk.

The municipality has the following monetary investments (Ring-fenced grant funding for implementation of capital budget):

Institution	Amount	Investment type	Maturity date
First National Bank	R 41 740 942	Call Account	-
First National Bank	R 905 342	7 day interest plus	-
ABSA	R 21 649.91	Current Account	-

## **2.7 ALLOCATIONS AND GRANTS MADE BY THE MUNICIPALITY**

The municipality makes the following grants to organisations and bodies outside the sphere of government as referred to in section 67(1) of the Act:

- SPCA Graaff-Reinet R 18 000
- Local Tourism Forum (Publicity) R120 000

The municipality cannot afford at this stage to increase the funding to these crucial institutions that assist with Animal Safety, Environmental Health and Local Economic Development within the municipality, due to financial constraints currently experienced by the municipality.

## **2.8 COUNCILLORS' ALLOWANCES AND EMPLOYEE BENEFITS**

The following tables set out the allowances and employee benefits budgeted for the 2017/2018 budget year:

The municipality has the fourteen (27) councillors, consisting of one fulltime Executive mayor, four Exco Members also chairpersons of sec. 79 committees and one MPAC chairperson of which the allowances are set out in table 6 above.

Upper Limits				
Position	Number	Salary	Allowances	Total Remuneration Package
Executive Mayor	1	758 012.00	26 400.00	784 412.00
Speaker (Full-time)	1	606 410.00	26 400.00	632 810.00
Exco Members	4	314 168.00	26 400.00	1 362 272.00
Committee Chairpersons	1	304 945.00	26 400.00	331 345.00
Part time councillors	20	237 620.00	26 400.00	5 280 400.00
				8 391 239.00

Table 6: Summary of Councillor Allowances

Number of employees:

	Number
Senior managers (in terms of Sect 57)	1
Other managers	14
Technical and Professional staff	-
Other Staff members	540
<b>Total</b>	<b>555</b>

Table 9: Number of employee

## 2.9 CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

There are no contracts with future budgetary implications

### 2.10 CAPITAL EXPENDITURE DETAILS

IDP R	PROJECT DESCRIPTION	NEW/UPGRADE OR ADDITIONS/REHABILITATION OR REFURBISHMENT	Multi Year project (Yes/N)	CORE OR NON CORE	SOURCE OF FUNDING	WARD No.	2017/
131	Graaff-Reinet Solid Waste Disposal Facility Stage 2: Construction of new cells	Upgrade	No	CORE	MIG	Ward 2,3,4,5,6,7,14	3 491 257.62
163	Roadmarkings for Murray, Queen, Breestreet and Themba street	Rehabilitation	Yes	CORE	MIG	Ward 2,4,6,14,	320 476.09
114	Drilling and equipping of boreholes and construction of balancing reservoir	Upgrade	Yes	CORE	MIG	Ward 1, Aberdeen	6 158 209.00
163	Roads and storm water drainage	Upgrade	No	CORE	MIG	Ward 10, 11	2 000 000.00
112	Upgrading of water main between Wanhoop WTW and Willowmore Reservoir	Upgrade	No	CORE	MIG	Ward 8,9,13	3 015 610.00
111	Refurbishment of 2 Kruitwater boreholes. Supply and installation of Bio-Tower for removal of H2S. Supply and install borehole level control	Refurbishment	No	CORE	MIG	Ward 10, 11	2 131 800.00
163	Roads and storm water drainage	Rehabilitation	Yes	CORE	MIG	Ward 5, 6	2 739 277.53
118	Construction of steel reservoir, 315mm bulk rising main, pipelines and borehole stations	Upgrade	Yes	CORE	RBIG	Ward 2,3,4,5,6,7,14	25 000 000.00
112	Construction of pipeline	New	No	CORE	RBIG	Ward 12, 13	2 000 000.00
114	Refurbish boreholes in Jansenville well field. Refurbish weir and channel. Construct new raw bulk water mains from dam to WTW. New WTW in Klipplaat and pumping main to Jansenville Reservoirs	Upgrade	Yes	CORE	RBIG	Ward 10, 11	5 000 000.00
IDP-223	Fire Hydrants : Install, upgrade	Additions	Yes	Non core	Transfers and Subsidies: Operational: Monetary Allocations: District Municipality - Eastern Cape - DC10 Sarah Baartman Fire Grant	2, 3, 4, 5, 7, 14	Advert R5500 Ward 2 R14100 Ward 3 R14100 Ward 4 R14100 Ward 5 R14100 Ward 7 R14100 Ward 14 R14100
IDP-300	Construct, upgrade of Fire Station - GRT	Additions	Yes	Non core	Transfers and Subsidies: Operational: Monetary Allocations: District Municipality - Eastern Cape - DC10 Sarah Baartman Fire Grant	2	Advert R7500 Ward 2 R3,667,500
IDP-317	4x4 LDV	New	Yes	Non core	Transfers and Subsidies: Operational: Monetary Allocations: District Municipality - Eastern Cape - DC10 Sarah Baartman Fire Grant	Institutional	Advert R7500 Inst R242500
IDP-341	Specialised : OH&S (Fire)	Upgrade	Yes	Non-core	Transfers and Subsidies: Operational: Monetary Allocations: District Municipality - Eastern Cape - DC10 Sarah Baartman Fire Grant	2,10,13	Advert R5500 Ward 2 R24400 Ward 10 R24400 Ward 13 R24400
141	Upgrading of infrastructure 1. ( GRT ) Upgrade 1 km overhead powerline and Mv switchgear. 2. ( Steytlerville to increase Max Demand. ( Eskom )3.Electrification of 64 RDP Houses in Down Township Willowmore	Upgrade	NO	CORE	DoE		7 000 000.00
147	Standy Transformers	NEW	NO	CORE	Internal	All	300 000.00
IDP-331	Tables, Chairs, Cabinets, Shelving				FMG		150 000.00
IDP-334	Polishers & Vacuum Cleaners				FMG		30 000.00
IDP-342	Miscellaneous, various Departments				FMG		70 000.00
IDP-354	Prepaid Electricity Vending Machines				FMG		220 000.00
IDP-353	ICT Infrastructure	NEW	Yes	CORE	FMG	Institutional	200 000.00
IDP-352	Tools (drill, step ladder, glue gun, crimping tool, network tester)	NEW	Yes	NON CO	FMG	Institutional	10 000.00
IDP-351	10 Exchange Hosted mailboxes	ADDITIONAL	Yes	CORE	FMG	Institutional	70 000.00
IDP-351	10 Windows 10Pro Licences	ADDITIONAL	Yes	CORE	FMG	Institutional	40 000.00
IDP-351	10 Micorosft Office H&B Licences	ADDITIONAL	Yes	CORE	FMG	Institutional	50 000.00
IDP-352	10 PC/Laptop Purchases	ADDITIONAL	Yes	CORE	FMG	Institutional	250 000.00
	Procurement of high raised, long wheel base, DC bakkie	NEW	No	Core	FMG	Institutional	400 000.00
	Procurement of Airconditioners Slabbert Huis	NEW	No	Core	FMG	Institutional	20 000.00
							64 760 430.24

**2.11      MUNICIPAL MANAGER'S QUALITY CERTIFICATE**

I, \_\_\_\_\_, Municipal Manager of Dr Beyers Naude Municipality Municipality, hereby certify that the Annual Budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the Regulations made under the Act, and that the Annual Budget and supporting documents are consistent with the Integrated Development Plan of the Municipality.

Print Name: \_\_\_\_\_

Municipal Manager: Dr Beyers Naude Municipality (EC101)

Signature: \_\_\_\_\_

Date: \_\_\_\_\_